Vol. 1, No. 1 | January–February 2024 a publication of the Mises Institute

THE IMPORTANCE OF HÜLSMANN'S NEW GROUNDBREAKING BOOK ABUNDANCE, GENEROSITY, AND THE STATE

by Jeffery L. Degner





THE

UNDERSTANDING THE TRUE MEANING OF CHARITY

A Discussion with Guido Hülsmann



5 From the Editor

6 THE IMPORTANCE OF HÜLSMANN'S ABUNDANCE, GENEROSITY, AND THE STATE BY JEFFERY L. DEGNER

14 UNDERSTANDING THE TRUE MEANING OF CHARITY

A DISCUSSION WITH GUIDO HÜLSMANN

MISES INSTITUTE

518 West Magnolia Avenue Auburn, AL 36832–4501 334.321.2100 800.OF.MISES Fax: 334.321.2119 contact@mises.org mises.org The Mises Institute is a nonprofit organization. Contributions are tax-deductible to the full extent of the law.

Note: The views expressed in The Misesian are not necessarily those of the Mises Institute.



- 20 The Last Conservative—David Gordon Reviews Milton Friedman: The Last Conservative by Jennifer Burns
- **23** The Failure of Conservatism—David Gordon Reviews The Failure of American Conservatism and the Road Not Taken by Claes G. Ryn

26 THE HOMO ECONOMICUS MYTH BY RYAN MCMAKEN

- **30** Student Spotlight
- 32 Scholars and Students On the Go
- **33** From the Mailbox
- 34 News from Mises.org
- 35 The Mises Institute Welcomes Dr. Wanjiru Njoya

Published 2024 (six times per year) by the Mises Institute under the Creative Commons Attribution-NonCommercial 4.0 International License. http://creativecommons.org/licenses/by-nc/4.0/

Editor: Ryan McMaken Managing Editor: Judith F. Thommesen Copyeditor: Daniella Bassi Design/Layout: Kim Koellsted Contributing Editors: Tho Bishop, David Gordon, Jonathan Newman





JOIN US IN AUBURN TO CELEBRATE THE 75TH ANNIVERSARY OF HUMAN ACTION



Human Action is packed with brilliant insights and truths about peaceful, voluntary exchange in a

private property, free-market society, and the fallacies and superstitions of interventionism and socialism.

The Mises Institute will be celebrating the 75th anniversary of the publication of *Human Action* with a special conference. The Mises Institute's top scholars will speak about the importance and lasting impact of *Human Action* on their thinking, their lives, their careers, and how to continue spreading those ideas. The "body of economic knowledge," Mises wrote, is essential to human civilization itself, and if we ignore it, we "will stamp out society and the human race." Mises sincerely believed that such knowledge is an essential roadblock to the nihilistic, socialistic destructionism that we see all around us today.

The papers presented at the conference will be published as a commemorative volume that will inspire scholars for decades to come, further guaranteeing that the intellectual legacy of *Human Action* lives on. These books are very important weapons in the never-ending war of ideas.

Donors who give \$1,000 or more will be listed on the Patrons page. In addition, they will receive an elegant limited-edition leather-bound volume of *Human Action* with a new foreword by Dr. Joseph Salerno, the Academic Vice President of the Mises Institute.

Join us at the Human Action Conference to champion the essential scholarship of freedom. It is important.

Space is limited. If you have questions contact Rachael Barefield (rachael@mises.org) or call 334-321-2147. For complete information about the Human Action Conference go to mises.org/ha24.

UPCOMING EVENTS

AUSTRIAN ECONOMICS RESEARCH CONFERENCE 2024 March 21–23 | Auburn, AL

CENSORSHIP AND OFFICIAL LIES: THE END OF TRUTH IN AMERICA?

April 13 | Lake Jackson, TX

RESEARCH FELLOWSHIPS 2024 May-August | Auburn, AL HUMAN ACTION CONFERENCE 2024 May 16–18 | Auburn, AL

MISES UNIVERSITY 2024 July 28-August 3 | Auburn, AL

SUPPORTERS SUMMIT 2024 October 10–13 | Hilton Head, SC

MISES CIRCLE IN FORT MYERS November 9 | Fort Myers, FL



Welcome to the first issue of The Misesian.

We've decided to rename *The Austrian* magazine *The Misesian* to emphasize how Ludwig von Mises remains at the center of everything that that is today called the Austrian School of economics.

When the Mises Institute was founded more than forty years ago, most of our supporters were directly connected to Mises. First and foremost was Mises's widow, Margit, whose tireless work in preserving Mises's legacy lives on at the Mises Institute. The Institute also benefited from early support from Mises's student F.A. Hayek, who won his Nobel Prize specifically for the *Mises*-Hayek business cycle theory. Journalist Henry Hazlitt was a great admirer of Mises and brilliantly popularized his work in regular columns for publications like *Newsweek* and the *New York Times*. And, of course, there was Murray Rothbard, Mises's student and disciple, who brought Mises's work to new generations of scholars and students.

To be a Misesian means to reject the usual milquetoast third-way fare that passes for "freemarket" activism in much of today's political discourse. Even in a time when Marxism was taken very seriously and the "mixed economy" was presumed the wave of future, Mises remained uncompromising, radical, and rigorous in a way that has been seen in few others. We hope to capture these qualities of steadfastness that made Mises so special in the pages of The Misesian for our readers.

So, it seems fitting that the first issue of The Misesian showcases important new scholarship from Mises's biographer, Jörg Guido Hülsmann. In this issue, we examine in some detail Professor Hülsmann's new book, *Abundance, Generosity, and the State.* This book breaks new ground in extending the Austrian School's insights to the economics of charity, gifts, and donations.

This is an important but much neglected field of economics. This neglect has done quite a bit of damage to economics over the decades. After all, it's not unusual for critics of economics to tell us economics offers no explanation of how or why people do anything other than "maximize profit" or pursue wealth above all else. Economists, we are told, are wedded to the model of Homo economicus, in which human beings think only in terms of cold, hard cash. If this is true, then economists must have few insights into why people would raise children or give gifts away with no expectation of any repayment.

Mises himself did not subscribe to this simplistic view of economics, of course, and his work helped lay the foundation for Dr. Hülsmann's new scholarship. In order to gain a more sophisticated understanding of economics and human action, economists must also address how human beings act when money profits are not a concern. They must also understand how state intervention has distorted and destroyed the charity and generosity that is such a critical part of human civilization. If you're into really sinking your teeth into some serious economic insights, I think you'll like this issue.

In the following pages you'll also find two new book reviews from David Gordon. In the first, Dr. Gordon reviews Jennifer Burns's new biography of Milton Friedman. In its pages, Dr. Gordon finds some of the many ways that Friedman led economics away from sound theory and toward support for monetary expansion and blind empiricism. Friedman was no fan of Mises, and it showed. In the second review, Dr. Gordon takes a more measured view of the great conservative scholar Claes Ryn. Although Ryn misunderstood capitalism and markets in many ways, he also understood the grave danger posed by neoconservatives like Harry Jaffa.

As always, you'll also find in these pages news about our events, students, and scholars. The Mises Institute is much more than a publishing house or a website. It is a campus, a school, and a community of like-minded people working to carry on Mises's legacy.



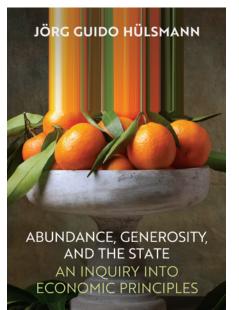
RYAN McMAKEN

📨 rwmcmaken@mises.org

Ryan McMaken is executive editor of mises.org and editor of *The Misesian*.

THE IMPORTANCE OF HÜLSMANN'S NEW GROUNDBREAKING BOOK ABUNDANCE, GENEROSITY, AND THE STATE

The best things in life are free—and there are fewer of those things under the interventionist state.





Jeffery L. Degner

Jeffery L. Degner is an assistant professor of economics at Cornerstone University and a former Mises Research Fellow. He holds bachelor's degrees in economics and history from Western Michigan University, where he also earned a master's in applied economics. He recently completed his PhD from the University of Angers under the direction of Dr. Jörg Guido Hülsmann.

jeff.degner@cornerstone.edu

Guido Hülsmann's *Abundance, Generosity, and the State* provides readers with an explanation of the nature and causes of gratuitous goods. Hülsmann demonstrates how free markets are *infused* with both intentional and unintentional gratuity, and how the repressive and permissive interventions of the modern state lead to their destruction.

This work is desperately needed and represents a remarkable achievement by one of the Austrian School's leading lights of our time. It is the first successful and systematic treatment of this underappreciated category of human action. Therefore, it is no exaggeration to say that it belongs alongside the great advancements in economic science, and I can say, without hesitation, that it will stand alongside works such as Ludwig von Mises's *Socialism* and Murray N. Rothbard's *Power and Market*. The knowledge and understanding it provides economists and noneconomists alike is indeed a gift.

Hülsmann breaks new ground in the political economy of gratuitous goods, which fits squarely within the field of praxeology-the theory of all human action. This subcategory of praxeology has been largely ignored, even by those in the Austrian tradition. Meanwhile, the true nature, causes, and consequences of gifts and gratuity have been badly misconstrued by social scientists outside the field of economics. Furthermore, the best and latest attempts to address the topic have all failed to properly evaluate the impact of interventionism upon the economy of gifts. Hülsmann holds up the work of Kenneth Boulding, Catherine Gbedolo, and John Mueller as providing recent and helpful contributions. But despite the best efforts of these scholars, Hülsmann acknowledges that "generosity, gifts, and unearned



Hülsmann breaks new ground in the political economy of gratuitous goods, which fits squarely within the field of praxeology the theory of all human action.

abundance still stand at the margins of economics." Thankfully, *Abundance, Generosity, and the State* sheds new and penetrating light on the subject, and convincingly delivers a Misesian-Rothbardian vision of the nature of generosity and the predations of the state upon it in a robust work of political economy.

As a master teacher is prone to do, Hülsmann supplies the reader with clear and concise definitions of his terms. Most importantly, he illuminates the essential nature of genuine gifts and donations, which are defined by four key conditions; namely, "the donor intends to benefit some cause or person other than himself, he does not seek any compensation, he freely consents to the transfer, and his donation consists of personal savings." Violations of each of these conditions produce a different kind of nongift. Donors make grants rather than gifts if they seek their own private benefit, and their transfers have hidden prices if they expect reciprocity. Donors are "fleeced" if they do not actually consent to the donation, and they are merely dispensing "loot" if they do not legitimately own what they are transferring.

These definitions are systematically carried throughout the book, providing the reader with great clarity. With these distinctions being made, the readers of this periodical may already "smell a rat"—interventionism—that is responsible for driving a great number of individuals to shift their actions from genuine generosity toward these dubious "pseudo-gifts." This is the explicit purpose of a work in political economy—to provide a demonstration of what human action looks like under conditions of private property protection versus the conditions of life when that principle is violated by the state. The latter situation is rightly described by Hülsmann as a grim picture of a world bereft of genuine gifts and proliferating in genuine miserliness and societal atomization.

What follows is a summary of Hülsmann's key findings along with various attempts to illuminate their importance in furthering economic science as well as some of their implications.

The author identifies his motive early on as an attempt to respond to Pope Benedict XVI's encyclical *Caritas in veritate* (2009), which exhorted people of good will to "demonstrate, in thinking and behaviour, . . . that in commercial relationships the principle of gratuitousness and the logic of gift as an expression of fraternity can and must find their place within normal economic activity." What Hülsmann demonstrates is that in a truly free economy, every market exchange is unintentionally infused with gratuitous goods.





Competition is best understood as "a process of piecemeal improvements ... that improves the terms on which customers are served." What emerges from this process is an unintentional, or spontaneous, gratuity.

Moreover, the relationship between growing economies and generosity isn't just a run-ofthe-mill positive correlation between wealth and charity. Rather, he explains, "gratuitous goods and markets are not merely complementary but symbiotic. They feed into each other. In order to understand markets, it is necessary to grasp why and how certain economic goods are transferred without payment."

To further this finding, Hülsmann extends F.A. Hayek's observations regarding the nature of market competition. Hülsmann reminds us that competition is best understood as "a process of piecemeal improvements ... that improves the terms on which customers are served." What emerges from this process is an *unintentional*, or spontaneous, gratuity. Indeed, the process of competition in an unhampered market is the mechanism through which society is freely provided with higher-quality goods at lower prices. The author further observes that "competitive behavior in Hayek's sense entails additional benefits for other market participants. These benefits are *gratuitous* because in the cases Hayek envisioned, there is no obligation

for individuals or firms to improve anything whatsoever and their customers do not have any right to claim such benefits. Moreover, these benefits are provided *spontaneously*."

These initial observations offer the modern reader intellectual ammunition against the age-old equivalence postulate. This Aristotelian idea still occupies the minds of many who view economic exchange as a zero-sum game. Furthermore, the reader is reminded of the fact that "as soon as they engage in an exchange, they cannot prevent the double gratuitousness that it inexorably generates." Put another way, voluntary exchange only happens because of the improved state of affairs it yields for both participants. The implication is that in the unhampered market, there is a mutually reinforcing relationship where gratuitousness leads to more exchange and more exchange leads to greater gratuity.

Another important takeaway from Hülsmann's treatise is his systematic and clear distinction between genuine gifts and "pseudo-gifts." He rightly notes that even in a free society there will be those whose hearts are duplicitous and who will extend what appear to be genuine gifts or donations while they are—as the biblical proverbs state—inwardly calculating. Such individuals are secretly counting on reciprocity while appearing to give genuine gifts that require not even the slightest form of repayment. Hülsmann refrains from making harsh judgment on the practice of reciprocity—even recognizing its importance in various cases. Indeed, he aptly observes that "reciprocation does not contradict the sacrificial nature of donations. Ouite to the contrary, the particular sort of reciprocity that is found in friendship and in the loving relationships between family members can only be understood before the background of genuine sacrifice."

Elsewhere, Hülsmann illustrates the dangers of creating overgeneralizations about the motive of reciprocity by drawing our attention to the excesses of the works of French anthropologist Marcel Mauss and his followers, who largely contended that genuine gifts are, in fact, *impossible*. Mauss's works from the early 1920s on primitive societies presented the view that "strictly speaking, there is no such thing as a pure gift at all.... In the real world,

[Mauss] argued, all social relations are based on reciprocity, but the respective obligations cannot be final and conclusive." It comes as no great shock, then, that Mauss and his disciples were seeking to "develop a theory of human action in deliberate opposition to economics," motivated by their unwillingness to accept the "political (pro-free market) implications of economics." Furthermore, the Maussians "blithely disregarded the benefits springing from property law and contracts." In his retort, Hülsmann makes the salient observation that "it is only when each person's obligations are clearly defined, as they tend to be in an economy based on the principle of private property, that it becomes possible to do something beyond and in excess of one's obligations. Only then do genuine gifts become conceivable. Only then does true gratuitousness become a reality."

Of course, while humans always have been and will ever remain less than divine in their motives in all things, this problem of the aforementioned "pseudo-gifts" will also always exist. This is not in question. However, the task of the political economist is to demonstrate the contrast between the economics of donations under private property and under interventionism.



Hülsmann does just that by building on some of his earlier works to explain the impacts of repressive and permissive interventionism on generosity. The former include taxation, prohibition, and regulation, which all "curb the citizens' exercise of their ordinary property rights" and have the effect of ruining individual initiative. The latter create special classes of people who are protected and indeed encouraged to engage in "irresponsibility and outright frivolous behavior."

As is Hülsmann's wonderful habit, he points to monetary interventionism as a devastating form of permissive interventionism. By manipulating money and credit, the state creates the conditions for an *inflation culture*. In it, rationality traps and intervention spirals are to be expected, although they may emerge slowly. Hülsmann rightly observes that as this culture begins to take hold, "the willingness to make donations of time and material goods is compromised. Less time is spent on disinterested activities, whether reading, music, sports, education of one's children, worship, or spending time with others."

Monetary interventionism's antisocial effects cannot be ignored, especially when people are increasingly stingy in sharing time with their children, faith community, or civic organizations all things enjoyed for their own sake. These aren't the only things that Hülsmann reminds us that we've lost under this statist invention. Indeed, trust, social cohesion, and friendship itself, the normal gifts of life, have eroded.

In stark contrast to the pernicious effects of monetary interventionism upon the gift economy is the reality of the unhampered

market for money. Professor Hülsmann reminds his readers that in the unhampered market money hoarding has gratuitous effects. Indeed, when this occurs, the price level falls and bystanders who expected to pay more for goods find themselves in an environment of falling prices. It is easy to see that this state of affairs benefits those who do not hoard their money, and the benefits do not stop there! With this newly increased purchasing power, people are more likely to give genuine gifts. We have more beautiful displays of shared wealth because of the gratuitous effects of money hoarding. Hülsmann also reminds us that in a free market, free of monetary interventionism, there will tend to be a higher tendency to save and invest, leading to lower returns on capital investment, and the wealthiest members of society will be more likely to make genuine sacrifices. This form of sacrifice is "a chosen abundance of economic goods that could very well be used for self-gratification. The donor deliberately limits the personal use of his resources." For all the talk of how capitalism and free markets lead to consumerism, frivolity, waste, avarice, and insatiable greed, Hülsmann provides us with a clear-headed and coherent argument

Monetary interventionism's antisocial effects cannot be ignored, especially when people are increasingly stingy in sharing time with their children, faith community, or civic organizations all things enjoyed for their own sake. We've lost trust, social cohesion, and friendship itself, the normal gifts of life, have been eroded.

Unfortunately, the permissive forms of interventionism aren't the only ones lurking in the shadows of statism. The repressive forms of interventionism are no less destructive to generosity and the economy of gifts.

for why just the opposite is true. Indeed, it's the unhampered market—bolstered by virtuous people who shun the promise of power that comes with interventionism-that enables people to live free and to live generously.

Unfortunately, the permissive forms of interventionism aren't the only ones lurking in the shadows of statism. The repressive forms of interventionism are no less destructive to generosity and the economy of gifts. Hülsmann powerfully illustrates how the repression of taxation—just one form of repressive intervention—creates conflicts of interest between "tax payers and tax receivers; the government and the citizens; employers and employees; men and women; blacks and whites; old retirees and young professionals." This observation highlights the importance of recognizing that it is the tax authority itself that must be abolished in order to end what has truly become a war of all against all. This war is not the result of the natural free state of men, but rather is an imposition that destroys friendship, fellowship, and kinship. When the full effects of taxation have taken hold, the author observes, atomized and disintegrated individuals must "organize themselves in order to obtain power sufficient to loot others or to fend off other looters ... the characteristic



of repressive interventionism is the robber gang." The inexorable descent of many Western cities into politically generated tribal chaos provides a disquieting glimpse of repressive intervention in action.

The author makes yet another contribution to the economics of generosity by referring to the works of Hans-Hermann Hoppe and Gordon Tullock. At various points, Hülsmann also reminds us that interventionism-especially under democratic systems—contributes to the creation of an entire political class that is sustained by the "hidden prices" that are imposed on the public. Some of the clearest examples of this reality can be clearly seen in the welfare-warfare state apparatus that provides the pseudo-gift of subsidies in exchange for political loyalty. Of course, the modern state continues to use its propaganda machine to "fleece" the public by encouraging them to give up their private wealth as a way to pay their "fair share" or exhibit true patriotism. All the while, the political class enriches itself and distributes the "loot" among the favored few. Indeed, these activities are clearly harmful to the public and as such are properly regarded as a gratuitous evil. Hülsmann in his notably moderate tone of writing never claims that excessive, unreasonable harm is impossible in the free market. However, he reminds the reader that "gratuitous evil is as a rule intentional and can be a regular and permanent side effect of human action only in exceptional circumstances (under a corrupted legal and political order)." Gratuitous evil comes about more frequently under permissive intervention, and Hülsmann reminds us that this is "not an accident, but the natural tendency of modern democratic systems. By the very logic of modern electoral politics, the welfare state is not likely to help the poor. It is likely to impoverish them further."



The findings of Abundance, Generosity, and the State have completely unseated the notion of positive externalities as a market failure and completely dispensed with externality theory as a whole. What have been regarded by mainstream economists as "spillovers," "positive externalities," and "network effects," as so-called market failures, are no failures at all. Indeed. the author clearly demonstrates—as noted earlier—that gratuitous goods have a symbiotic relationship with all market exchanges. Furthermore, gratuitous bads are minimized and gratuitous evils dismissed when permissive and repressive interventions are abolished. It should be abundantly clear to keen observers of the interventionist state that externality theory is one of the most important plausible fallacies that the state uses to entrance the public into acquiescing to its power. By toppling this falsehood and upholding the goodness that emerges from genuinely free exchange, Hülsmann has perhaps made a more generous and benevolent future more possible.

I would be remiss if I failed to mention that the excellence of this treatise is exceeded by the

The findings of Abundance, Generosity, and the State have completely unseated the notion of positive externalities as a market failure and completely dispensed with externality theory as a whole.

excellence of the man himself. Guido Hülsmann has embodied intentional generosity to his students, and to all those who serve, study, and speak with the goal that liberty, beauty, virtue, and truth may prevail in our time. It is true that the science of economics has been advanced through this work. Indeed, some of the most noxious and long-lasting economic doctrines that uphold the interventionist state-the equivalence postulate, the zero-sum game fallacy, and externality theory—have been cut down to size by Hülsmann's mighty pen. Furthermore, the importance of this treatise is readily recognizable: it lies primarily in its clear demonstration that the interventionist state is at the root of Western society's increasingly loathsome, self-destructive, and stingy culture. The author has given a gift of new economic knowledge, and those fortunate enough to know him have the even greater gift of knowing and experiencing his gratuitous kindness and friendship. Bravo, Professor!







UNDERSTANDING THE TRUE MEANING OF

M

A Discussion with Guido Hülsmann



Guido Hülsmann

Jörg Guido Hülsmann is a professor of economics at the University of Angers in France. He is also a Senior Fellow of the Mises Institute and a corresponding member of the Pontifical Academy for Life. He has authored numerous books including Mises: The Last Knight of Liberalism and The Ethics of Money Production.

GuidoHulsmann.com

The Misesian (TM): The economics behind gift giving and charity have long been a neglected topic among researchers and economists. What prompted you to launch your own investigation into the topic?

Jörg Guido Hülsmann (JGH): The economic literature on gifts is actually quite massive, but it's true that these writings don't make it into standard micro- and macroeconomics. My initial interest was sparked by Benedict XVI's 2009 encyclical letter *Caritas in veritate*. The pope wondered how the scope of gratuitous goods could be increased in the human economy, and he called on all people of good will to deal with this issue in thought and action. I put a doctoral student to work on this subject in 2011 and she successfully defended her French-language dissertation four years later. Still I sensed that much more work was needed and that the economics of gratuitous goods promised to shed new light on the very foundations of economics.

In 2018, during a sabbatical semester, I therefore set out to study three specific areas in more detail: (1) How do gifts fit into the general theory of economic goods? Is the act of giving a distinct praxeological category on its own? (2) Which are the major types of positive externalities, or side-effect goods, that spring from profit seeking and other human actions that do not have the express purpose of providing gratuitous benefits to others? Which are the causes that promote and hamper the development of such sideeffect goods? (3) In which ways and to what extent do government interventions influence these processes?

At first, I thought this could be done fairly quickly, but I overrated my speed and underestimated the difficulty of the subject. All told it took me four years to produce a complete draft of the book.

TM: The idea of *Homo economicus* has long plagued economics, and many people conclude the idea tells us that people engage in economic activity only for monetary profit. Does the *Homo economicus* model have value or is it an impediment to understanding the full economy?

JCH: With a few exceptions, economists have always understood that the *Homo economicus* fiction is precisely that, a fiction. Its proper use is to serve as a pedagogical tool. Sums of money can be directly compared. It is clear that nine units of money are more than eight units of money. It is also straightforward to argue that everybody prefers more money to less money. But outside of this narrow pedagogical use, the fiction becomes problematic. It is clearly not the case that all goods can be given a monetary expression. Nor is it the case that people only care about money. Human action designed to acquire and hold money must be balanced against all alternative actions. People do not desire to own as much money as possible but the proper amount of money, along with the proper amounts of all other goods that they also wish to own. Last but not least, it is not the case that all human actions have the purpose of providing the agent with monetary revenue or other advantages. Genuine donations of time and material goods are also possible.

TM: Why is the Austrian School uniquely suited to analyze gifts and charity?

JGH: The starting point of Austrian reasoning is real human action, not any fictitious stipulations. Carl Menger strongly emphasized that acting man pursues *different* objectives that cannot be summarized by a single one. In other words, human action does not aim at maximizing a single variable, such as monetary profit or utility. It aims at establishing a proper balance between different goods that cannot be reduced to a common denominator. It follows that, from a Mengerian perspective, it is not difficult to concede the possibility that gifts are meant to serve others, and that the satisfaction of the needs of others has to be brought into a proper balance with the satisfaction of our own needs.

By contrast, the Homo economicus of presentday mainstream economics maximizes a single variable; namely, utility. But this implies from the very outset that only one person counts; namely, the agent whose utility is being maximized. Whatever he may do for others he ultimately does for himself. Mainstream economists are therefore willy-nilly led to the conclusion that genuine gifts are impossible. They hold that donors always and everywhere give in order to benefit from "warm glow" feelings and for other selfish objectives. But such contentions have nothing to do with any science or empirical research. They are implied in the stipulated premise of Homo economicus. They are grounded in a fiction, not in a fact.

Let me also highlight that Austrians are uniquely well positioned to understand the nature and scope of positive externalities. The reason is that, contrary to the mainstream, they do not subscribe to Aristotle's equivalence postulate.

Aristotle contended that a just exchange is an exchange of equal values. Unless each person provides the equivalent of what he receives, one

It is not the case that all human actions have the purpose of providing the agent with monetary revenue or other advantages. Genuine donations of time and material goods are also possible.



partner to the exchange wins at the expense of the other, and the exchange is therefore unjust. This fundamental postulate has survived all evolutions and revolutions in economic thought. Present-day general equilibrium economics à la Debreu and Arrow postulates that each good provided to others is, or at least should be, adequately remunerated, unless it is provided as a deliberate gift. This is called the postulate of complete markets or, more pompously, the first fundamental theorem of welfare economics. But it is really just another example of a purely fictitious assumption gone wild.

On a free market, positive externalities abound. Each single externality might be marginal but, in the aggregate, they provide significant gratuitous abundance. An Austrian economist may therefore conclude that positive externalities are praiseworthy benefits that spring from the workings of an unhampered economy. But then come the mainstream economists with their postulate of complete markets. When they see these benefits, they infer they must be terrible market failures that cry out for state intervention. They start to tax some people and subsidize others. Thus, they paralyze the taxpayers, encourage the subsidy recipients to frivolous behavior, and eliminate or at least diminish the side-effect benefits for all others.

TM: A potential problem with all research is that the researchers may only study the things that can be quantitatively measured. Is that a problem here, since it is difficult to quantify the value of gift giving and charity?

JGH: You highlight an important issue. Indeed, the value of any good is a matter of personal judgment within a personal context. A poor woman may consecrate a day to care for her mother. That comes with a huge opportunity cost for her. The personal value of this service is therefore immense, and will be greatly appreciated by her mother and any objective bystander. But from a statistical point of view it is nil, it does not exist at all.

TM: You note that there are many things in the world that are gratuitous, such as culture. What are some other examples, and how can we measure the benefits of such things?



JGH: Language, money, and law are prime examples of cultural commons. They are network goods that emerge from the interaction of countless individuals, each of whom pursues his own goals and does not, as a rule, intend to bring about or preserve the network good. Carl Menger famously described the process of their spontaneous emergence, emphasizing that network goods are not instituted by the deliberate choice of any individual or group. They owe their origin to a social process, not to any political authority. It is impossible to measure their monetary value, and no attempt has ever been made to do so, to my knowledge.

There are other side-effect benefits the monetary value of which could conceivably be estimated in various ways, yet with great margins of error. A shopkeeper may benefit from the security personnel of a business right next door. He could know the costs of hiring his own security staff, but how could he assess the contribution that the extra security provided by his neighbor makes to his bottom line? He would have to make various assumptions about what would have happened if the neighbor's security had been absent. In other words, he would have to engage in intellectual gymnastics of the sort that is undergirding present-day macroeconomic modeling. The quality of his results would probably be of the same sort: wild guesses. Most likely, he would quickly come to conclude that such guesswork is a waste of time and money.

Difficulties of this sort have an important practical ramification. Precisely because the money value of side-effect benefits is so difficult if not impossible to assess, it is out of the question to eliminate these benefits by a sleight In the mainstream conception, the development of the market economy inevitably goes hand in hand with a decline of generosity and altruism.

of hand. Positive externalities are therefore especially robust gratuitous goods.

TM: Do pure gifts really exist? That is, do people ever give gifts without wanting something in return?

JCH: Pure gifts can exist, and I know they do exist. However, it is impossible to publicly demonstrate their actual existence because this would require the ability to look into the minds and hearts of others.

TM: There is a lot of history about economic theory in this book. When did economists first go wrong on the charity problem?

JGH: I cannot pinpoint a concrete date or period. The medieval theologians had considered it to be a matter of course that pure gifts do exist and play a hugely important role. I suppose a change came with the modern philosophy of utilitarianism, especially with Jeremy Bentham's utilitarianism, which rushed into the reductionism that is so characteristic of modern economics. In Bentham's conception, all human choices are reduced to a calculus of pleasure and pain. And, of course, these pleasures and pains are the ones of the acting person, so that it is from the outset clear that only this one person counts.

On the other hand, as far as side-effect goods are concerned, things turned sour when the academic economists of the nineteenth century decided to neglect the work of Frédéric Bastiat. The latter had developed a very powerful analysis of the role of gratuitous goods in human welfare. Most notably, he had argued that increased savings allowed people to create ever more tools and harvest the gratuitous forces of nature. He had also shown that technological progress eventually conveys gratuitous benefits to the ultimate consumers, whereas the innovators benefit only temporarily (although it is true that Bastiat's work was marred to some extent by the shortcomings of his value theory and by his inattention to the role of side-effects of human action, which he had neglected, as did all of his contemporaries). Tragically, he came to be almost completely forgotten when the fictitious theory of complete markets rose to its triumph in the twentieth century.

TM: How is bad economics in this field a problem for ordinary people? That is, has a failure to understand the economics of gratuitous goods led to justifications for interventionist economic policy?

JGH: There are here two issues of paramount practical importance. Both spring from bad economics and have led to disastrous policies.

The first one is the theory of externalities. In Human Action, Mises pointed out that negative and positive externalities do not have symmetrical effects but fundamentally different ones and that they required fundamentally different responses. When negative externalities like factory smoke and noise affect the property rights of neighbors, these conflicts can be settled in courts of justice. By contrast, positive externalities do not require any action at all. There is simply nothing wrong with them. It is superfluous and, in fact, disastrous to interpret positive externalities as market failures and have the government step in to redress them, for example, by funding the courts, the army, or roads with taxpayer money. The gratuitous

abundance that characterizes the workings of a free economy is then curtailed with rising taxation and rising consumer-good prices.

This brings me to the second issue. In the mainstream conception, the development of the market economy inevitably goes hand in hand with a decline of generosity and altruism. Indifference and coldheartedness rear their ugly heads. Rugged individualism reigns supreme when the state is small or inactive. By contrast, a large and active state is bound to provide the population with the numerous and substantial gratuitous benefits of the welfare state. And, of course, such a large and active state is also likely to promote economic growth through expansionary fiscal and monetary policy. In my book, I show that this conception is the exact opposite of the truth. It is a fairy tale of statist propaganda. The truth is that generosity and

abundance flourish in a free economy. When such an economy grows, there is actually a powerful tendency for generosity to increase more than aggregate output. But government interventions, most notably expansionary monetary policies, annihilate and invert these tendencies. They create very strong incentives for people to become stingy, selfish, and indifferent. And for analogous reasons, the services provided by the welfare state in the long run never solve any of the problems they were supposed to mend. They always end up reinforcing and perpetuating homelessness, illiteracy, sickness, unemployment, violence, dependence, indifference, and despair. In other words, state-provided gratuitousness is not only sterile but positively harmful, the exact opposite of the gratuitous goods provided by free and responsible citizens.



DAVID GORDON **REVIEWS**

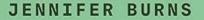
THE LAST CONSERVATIVE

MILTON FRIEDMAN: THE LAST CONSERVATIVE

By Jennifer Burns

Farrar, Straus and Giroux, 2023; x + 587 pp.

MILTON FRIEDMAN THE LAST CONSERVATIVE



Use this QR code and the Mises Institute gets credit for the purchase of this book.



David Gordon is a Senior Fellow at the Mises Institute and editor of the Mises Review.

Imagine that you come across this about the "education premium" on someone's blog: "By going to college, you are more than tripling your chances for success in after life." The statement is buttressed by a calculation of the extra lifetime earnings that a college degree will provide. Wouldn't you think that the author is an economist? In fact, the author was a high school student, and he wrote this in 1927, before ever studying economics. As you will by now have guessed, the precocious student was Milton Friedman.

Jennifer Burns, a professor of history at Stanford, makes clear in her outstanding biography that many of Friedman's characteristic intellectual traits were present at a very early age, as the anecdote above illustrates, and that these remained constant throughout his long life. Much of Friedman's work in economics consists of statistical analysis, though of course carried out at a far more sophisticated level than his fledgling high school effort. As an undergraduate at Rutgers, he was trained in statistical analysis by Arthur Burns, a young professor whom Friedman idolized. Burns introduced Friedman to the method of business cycle research of his own teacher, Wesley Clair Mitchell, and also stressed the importance of Alfred Marshall's Principles of Economics, a text that was to remain a touchstone of sound economics for Friedman. Years later, Friedman made original contributions to statistical theory. He helped develop "sequential analysis" and together with L.J. Savage worked on the analysis of utility and risk. "Although never lionized as part of Friedman's Chicago gang, Savage was one of the few people whom Friedman openly called 'a genius' and their short-lived collaboration proved fertile for both."

Friedman's commitment to statistical analysis led him vehemently to oppose the economics of Ludwig von Mises and Friedrich Hayek, whom he regarded as the purveyors of a priori, "unscientific" theorizing. Although Friedman and Hayek were friends and colleagues at the University of Chicago, and Friedman admired Hayek as a political and social thinker, "when a motion was raised to grant Hayek a courtesy appointment in economics—generally an honorific with no real power—he was not a supporter." Hayek's Austrian economics was not empirical enough for Friedman.

Of course Friedman's views on economics were not confined to methodology. From his graduate years at Chicago, he had firm ideas about policy as well, and these he absorbed from Frank Knight and Henry Simons. Both supported a competitive market, but they sharply differentiated between the "real" economy and the monetary and banking system. In the former, competition, firmly regulated by antitrust enforcement, was the order of the day, but not so in banking, which required centralized control by the government. To deal with depression, monetary expansion was required. This position too is at odds with the Austrian School, which views with alarm the machinations of the Fed.

Burns explains the views of the Chicago School on banking in this way:

"Galvanized by [FDR's 1933] bank holiday, Chicago's economists swung into action, drawing up the 'Chicago plan' for banking reform....It shows clearly that Chicago economists, despite their neo-classical orientation, carved out a large role for the federal government in meeting the emergency. Chicago's leading price theorists did not argue that the Depression was a necessary correction, or that economic activity would magically return to a desirable equilibrium.... Within ten days after the bank holiday began, the memo urged a significant expansion of federal power to meet the crisis. Broadly, it said that the federal government should attempt to increase the price level by around 15 percent. Specifically, it should take over the banking system, pass legislation breaking up the savings and lending functions of banks, and end the gold standard."

Friedman absorbed the lessons of the Chicago economists, and emphasis on the need for monetary expansion to deal with depressions was a leitmotif of his career. Most notably, in *A Monetary History of the United States*,

Friedman's commitment to statistical analysis led him vehemently to oppose the economics of Ludwig von Mises and Friedrich Hayek, whom he regarded as the purveyors of a priori, "unscientific" theorizing.





Picture from Almay.

coauthored with Anna Schwartz, he blamed the severity of the Great Depression on the Fed's contraction of the money supply:

"How did money affect business cycles? Friedman and Schwartz had an answer they considered definitive: money mattered.... Friedman knew the book would have an impact. He knew it was the best work he had ever done, or would ever do....

"The book's centerpiece was its stunning analysis of the Great Depression. Friedman and Schwartz's data showed a precipitous 33 percent decline in the quantity of money during what they called 'the great contraction.' They convincingly argued that this lack of money transformed an unremarkable dip in the business cycle into a crisis of global proportions.... A Monetary History of the United States dwelled with the intensity of a psychologist upon the differences between the New York bankers George I. Harrison and Benjamin Strong Jr., men holding the power to redirect history itself. The absent hero was Strong, who died just before the crash. Examining Strong's earlier career, Friedman and Schwartz argued that he would have reacted to the liquidity crisis with 'strenuous and appropriate measures to head it off' ... Harrison acquiesced to a policy of monetary inactivity. The Fed stood by as money drained from the banking system and the economy collapsed."

Strong was Friedman's hero, but he was Murray Rothbard's villain. Rothbard blamed Strong for the inflationary expansion of bank credit during the 1920s, which led to an artificial boom that, as the Austrian theory of the business cycle shows, must inevitably collapse. Rothbard developed his analysis in his magisterial *America's Great Depression* (1963), but Friedman did not respond to it.

Why did these two major economists differ on the causes of the Great Depression, though both agreed, albeit in contrasting ways, that money matters? The answer is that methodology also matters, and this is the chief point I'd like to emphasize in this review. Methodology may strike some, eager to get down to practical issues, as arid and abstract, but it has consequences of the utmost importance.

The Austrian theory of the business cycle is based on a priori reasoning, which is then used to help interpret historical events. People often find the notion of a priori truth puzzling, but what is important for our purposes is not an account of why such reasoning is true, but rather the fact that if you start with an a priori true axiom and reason validly from it, your conclusion also is true. Friedman's method is entirely different. His account of the business cycle is based entirely on statistical evidence, correlating changes in the quantity of money with employment and output. What this ignores is that statistical correlations do not by themselves suffice to establish causation. Friedman viewed theory in instrumentalist terms, seeing it as a way to generate predictions that could be experimentally tested. The intrinsic significance of the theory was of little or no concern to him, and even a theory with false assumptions could still be useful. "Friedman considered the realism of a theory's assumptions beside the point.... Analytically, it wasn't important if a business owner actually tried to maximize profits. It was only important that collectively, businesses could be understood 'as if' they were trying to do so.... Friedman was also comfortable with the idea that observation could never be truly neutral; the investigator had always a selection bias of some sort. The way out of the trap was a relentless focus on problem-solving. After observation came prediction." It isn't clear why Friedman imagined that bias would not also affect how predictions were interpreted. False assumptions combined with selection bias does not seem like a recipe for success.

Friedman's account of the business cycle is based entirely on statistical evidence, correlating changes in the quantity of money with employment and output. What this ignores is that statistical correlations do not by themselves suffice to establish causation.

THE FAILURE OF CONSERVATISM

THE FAILURE OF AMERICAN CONSERVATISM AND THE ROAD NOT TAKEN

By Claes G. Ryn

Republic Book Publishers, 2023; 468 pp.

The Failure of American Conservatism and the Road Not Taken

Claes G. Ryn

Use this QR code and the Mises Institute gets credit for the purchase of this book.



David Gordon is a Senior Fellow at the Mises Institute and editor of the Mises Review.

Claes Ryn, a leading conservative intellectual who taught politics for many years at the Catholic University of America, is by no means a libertarian, but readers of *The Misesian* can learn much from this book. I'd like to discuss two topics: first, the criticism of Harry Jaffa and his mentor, Leo Strauss; and second, the full-scale assault on the Wilsonian and neoconservative view that America is the "hope of the world," and, as such, entitled to exercise global hegemony.

Before addressing these topics, though, it is essential to say something about Ryn's philosophical ideas. A key theme of the book is that conservatives, under the sway of William Buckley Jr.'s *National Review*, have unduly neglected philosophical foundations in their avidity to win political influence and power. A proper attention to these foundations, Ryn maintains, shows that reason should not be regarded as separate from the particulars of history:

"I have tried in my philosophical work to integrate the study of seemingly different but closely related aspects of life and to ascertain their roles and importance within the whole of human life. The result has been called 'valuecentered historicism.' It encompasses ethics, aesthetics and epistemology and shows the intimate connections between goodness, beauty, and truth and their opposites. According to this philosophy, the higher values of human existence are apprehended and attained through a special interaction of will, imagination, and reason in which moral character is primary and indispensable.... These values actually become known to human beings in experiential particulars-a notion that seems paradoxical to thinkers who are used to placing what is ultimately normative beyond what is near and concrete and used to regarding the universal as empty of concrete particulars."



The neoconservatives are prime examples of what happens when the temptation, far from being resisted, is eagerly embraced. As they saw matters, America was the "indispensable nation" that ought to control the world. Unnecessary, very costly, and counterproductive wars with Afghanistan and Iraq were the result.

If this is correct, then it's a mistake for philosophers to neglect people's historical traditions and ways of living when they formulate principles of morality. I would add that it's a mistake to do this even if you don't accept valuecentered historicism. But Leo Strauss and his student Harry Jaffa do neglect historical tradition. According to Strauss, as Ryn reads him, the philosopher operates in a realm detached from the political community. Ryn says that Strauss, in contrast to Edmund Burke, believes that "what is ultimately normative in human affairs can be discerned only by abstract rationality, while Burke's defense of the historical consciousness



amounts to relativism or nihilism. This is historicism and must be flatly *rejected*. Strauss's view of Burke and historical consciousness betrays a pronounced reductionism. Strauss never contemplates that historical thinking might have a form entirely different from what he rejects... But, surely, the experience and achievements of the human race are a rich source of guidance for intellectually limited and otherwise flawed individuals."

Strauss, Ryn alleges, "championed what he called 'natural right,' which he saw as sharply opposed to tradition. He called the latter 'the ancestral' or 'convention.'"

Understanding Ryn's criticism of Strauss gives us the necessary background to grasp Ryn's assault on Harry Jaffa and the neoconservatives. These misguided thinkers neglect the way in which America's limited constitutional government was based on the rights of Englishmen established through tradition. Instead, they see America as the embodiment of abstract principles that must be imposed on the rest of the world, regardless of other peoples' own traditions. A limited government cannot achieve this monumental task; hence it must be cast aside in favor of a government strong enough to do the job. Jaffa's view transforms the American regime into a political system akin to that of the French Jacobins, who were eager to impose their revolutionary principles on their European conquests. (Actually, the proponents of spreading the French revolutionary principles were the Girondins rather than the Jacobins, but this inaccuracy leaves Ryn's basic point intact.)

Jaffa's commitment to revolution and disdain for tradition is evident, Ryn alleges:

"The American Founding, Jaffa asserts, 'represented the most radical break with tradition ... that the world had seen ... The Founders understood themselves to be revolutionaries, and to celebrate the American Founding is therefore to celebrate revolution. ... The revolution was somewhat mild, Jaffa concedes, but belongs with subsequent revolutions in France, Russia, China, Cuba, or elsewhere.'... Far from being conservative of an ancient inheritance, Jaffa wants to be *rid* of America's actual past" (emphasis in original).

Holding Jaffa's view of the American founding doesn't by itself commit you to spreading our revolutionary principles far and wide, but the danger is there. There is a temptation to regard America as a force for good, unsullied by the sordid strivings for power of other nations. Woodrow Wilson, for one, succumbed to this temptation, and Ryn cites in this connection one of his favorite thinkers, the literary critic and philosopher Irving Babbitt, who said:

"We are willing to admit that all other nations are self-seeking, but as for ourselves, we hold that we act only on the most disinterested motives. We have not yet set up, like revolutionary France, as the Christ of Nations, but during the late war we liked to look on ourselves as at least the Sir Galahad of Nations.... In 1914, even before the outbreak of the European War, Wilson stated in a Fourth of July address that America's role was to 'serve the rights of humanity.' The flag of the United States, he declared, is the flag, not only of America, but of humanity.'"

The neoconservatives are prime examples of what happens when the temptation, far from being resisted, is eagerly embraced. As they saw matters, America was the "indispensable nation" that ought to control the world. Unnecessary, very costly, and counterproductive wars with Afghanistan and Iraq were the result:

"A few years ago, David Frum and Richard Perle [two leading neoconservatives] provided an allpurpose justification for unlimited power: putting an 'end to evil'—the title of their co-authored book. Now there is a noble and ambitious goal! Power beyond the dreams of avarice would be needed to realize it. That rooting out evil might be an endless task only increases its appeal to a ravenous will to power....

"Jacobinism and Marxism were openly revolutionary. They were the ideologies of outgroups challenging the existing elites. What this writer has called neo-Jacobinism is the ideology of people on the inside, members of America's elite, who wish to make the military and other military might of the United States a more pliant tool and who are attempting a creeping coup d'état from within. According to their ideology, America is called by history to create a better world based on universal principles. Virtuous American power must be unleashed."

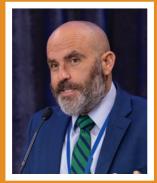
In the foregoing, I have offered little in the way of criticism of Ryn's ideas. From a Rothbardian point of view, what he says is not altogether acceptable; and in particular, there is more to be said in favor of natural rights than he allows. But I think it more important to present the viewpoint of an interesting thinker and leave readers to judge for themselves. The support of an ally who concurs that "America goes not abroad in search of monsters to destroy" must be welcomed, especially when the ally is as insightful as Claes Ryn.

From a Rothbardian point of view, what he says is not altogether acceptable; and in particular, there is more to be said in favor of natural rights than he allows. But I think it more important to present the viewpoint of an interesting thinker and leave readers to judge for themselves.

CreativeCommons flickr.



THE Homo economicus MYTH



Ryan McMaken

Ryan McMaken is executive editor of mises.org and editor of The Misesian. He is also the author of Commie Cowboys: The Bourgeoisie and the Nation-State in the Western Genre and Breaking Away: The Case for Secession, Radical Decentralization, and Smaller Polities.

rwmcmaken@mises.org

Among the larger albatrosses burdening the economics profession is the idea of *Homo economicus*. To this day, most economics undergraduates hear about it in the context of neoclassical economics. *Homo economicus*, we are told, is the ideal economic man who always seeks to maximize profits and minimize costs. He only acts "rationally," and rationalism is defined as, well, always seeking to maximize profits and minimize costs. Even worse, "profit" is often assumed to mean "monetary profit" measurable only in dollars (or some other currency).

Yes, many economists will say, "It's just a model," and note there are many caveats that come with its use. These protestations are often less than convincing given the use of models based on "rational" behavior. But, for now, let's just take the economists at their word. Even if what the defenders of Homo economicus say is true, the fact remains that the vast majority of sociologists, political scientists, politicians, and journalists never got that memo. In scholarship and media pieces on public policy, the concept of Homo economicus is routinely employed to illustrate the problems with economic theory. What's worse, anticapitalists-many of whom view neoclassical economics as the primary foundation of laissezfaire thinking—present the shortcomings of Homo economicus as an illustration of the foolishness of market economies.

But it's not just hard-line leftists who take issue with *Homo economicus*. Conservatives have also attacked the Homo economicus straw man for its inability to provide a "holistic view of humans."

So, it's not enough to just wave away critics of *Homo economicus* as a bunch of people who don't understand the sophisticated ways of professional economists. The theory's shortcomings remain a realworld problem.

Anticapitalists—many of whom view neoclassical economics as the primary foundation of laissez-faire thinking present the shortcomings of *Homo economicus* as an illustration of the foolishness of market economies. Rather than being a foundation of free-market economics, *Homo economicus* is a useful tool for enemies of markets.

Homo economicus Is Not Foundational to Sound Economics

The problem for the antimarket critics of *Homo* economicus is that *Homo* economicus is not actually necessary to understanding sound economics. In fact, markets would be *better* understood if critics did not rely on the *Homo* economicus model at all.

Austrian economists, for example, have never relied on *Homo economicus*. Ludwig von Mises noted that the *Homo economicus* model described only one small proportion of human action, and failed to account for the behavior of consumers: "The much talked about *homo economicus* of the classical theory is the personification of the principles of the businessman. The businessman wants to conduct every business with the highest possible profit: he wants to buy as cheaply as possible and sell as dearly as possible. By means of diligence and attention to business he strives to eliminate all sources of error so that the results of his action are not prejudiced by ignorance, neglectfulness, mistakes, and the like.... "The classical scheme is not at all applicable to consumption or the consumer. It could in no way comprehend the act of consumption or the consumer's expenditure of money. The principle of buying on the cheapest market comes into question here only in so far as the choice is between several possibilities, otherwise equal, of purchasing goods; but it cannot be understood, from this point of view, why someone buys the better suit even though the cheaper one has the same 'objective' usefulness, or why more is generally spent than is necessary for the minimum—taken in the strictest sense of the term—necessary for bare physical subsistence."

If an economics model tells us very little about consumer behavior, then its value is limited, to say the least. Mises further commented on Homo economics in Human Action, writing: "It was a fundamental mistake ... to interpret economics as the characterization of the behavior of an ideal type, the homo oeconomicus. According to this doctrine traditional or orthodox economics does not deal with the behavior of man as he really is and acts, but with a fictitious or hypothetical image. It pictures a [person] being driven exclusively by 'economic' motives, i.e., solely by the intention of making the greatest possible material or monetary profit. Such a being does not have and never did have a counterpart in reality; it is a phantom of a spurious armchair philosophy. No man is exclusively motivated by the desire to become as rich as possible; many are not at all influenced by this mean craving. It

It was a fundamental mistake ... to interpret economics as the characterization of the behavior of an ideal type, the homo oeconomicus. According to this doctrine economics does not deal with the behavior of man as he really is and acts, but with a fictitious or hypothetical image. is vain to refer to such an illusory homunculus in dealing with life and history."

Profit takes many forms besides money. Nor do all persons seek the same goals in life. Moreover, since individuals have an uncountable number of diverse goals for themselves, it is also impossible to generalize about what is rational or irrational for them. For some people, a life of austerity and asceticism in a hermitage may be the most desirable, and thus it is rational to pursue that life. For others, a life of playing video games and visiting shopping malls may be the most desirable. It is thus quite impossible to generalize and certainly impossible to create a model for ideal economic behavior.

Anticapitalist critics of laissez-faire have also often claimed that economics as a discipline disregards the social aspects of human behavior and that economic theory does not work unless human beings are fundamentally atomistic egotists who seek only their own personal benefit. Wrong again. The Austrians have never based their analysis on any such assumption. No good economist denies that human beings tend to be social, and Mises himself writes that "man appeared on the scene of earthy events as a social being." Far from depending upon the existence of antisocial or atomistic human beings, the market economy simply *responds* to the desires of human beings as they are.

Homo economicus Is a Tool for Central Planners

Rather than being a foundation of free-market economics, Homo economicus is a useful tool for enemies of markets. Mises notes, contrary to the false construct of Homo economicus, that human desires are far too diverse to allow for generalization about what markets can and should produce or about what consumers should do. By extension, given the unpredictable nature of human wants and talents, it is impossible to centrally plan an economy, or even intervene in an economy, without impoverishing the consumers who may want something different from what government planners assume is needed. The Homo economicus idea in many ways buttresses the conceit that anyone can know ahead of time what consumers and producers will want and what they will do.

Anticapitalists think they are somehow striking at the heart of laissez-faire liberalism when they denounce *Homo economicus*, but they are doing nothing of the sort.

STUDENT SPOTLIGHT



How did you discover Austrian economics and the Mises Institute?

I read *Economics in One Lesson* by Henry Hazlitt in high school. Before that I was something of a national conservative, but the book completely changed me. That was my first interaction with Austrian economics. Shortly after, I read Hayek's *Denationalization of Money* and some Mises Institute publications like Gustave de Molinari's *Production of Security* and Hans-Hermann Hoppe's *The Myth of National Defense*. Somewhere along the lines I discovered the Mises Institute. I would read Mises Institute publications and articles throughout the rest of my high school career.

You're currently pursuing a PhD in economics at West Virginia University. What is your research focus and what are your plans for the future?

My research interests can be categorized as public economics. I have projects in private governance, but I am now delving further into the literature on autocracy. I think that Austrians can make some advancements in the topic, particularly continuing the work done in Hoppe's

BENJAMIN SEEVERS

West Virginia University *Mises Wire* author Research Fellow 2023 Supporters Summit 2023 Mises University 2022, 2023 Rothbard Graduate Seminar 2023 Austrian Economics Research Conference 2023

Libertarian Scholars Conference 2022

Democracy: The God That Failed by examining the relationship between monarchy, democracy, and economic growth in new, creative ways. Perhaps this will be the topic of my dissertation.

You were a Mises Institute Research Fellow in the summer of 2023, and you've attended a few of our conferences, events, and seminars. How have these helped with your research? Are there any particular scholars whose work or guidance has been particularly helpful?

The Research Fellowship helped me establish writing habits that I practice to this day, and I made some good friends along the way.

I made significant headway on a paper I am entitling "Arctic Anarchy," which is an investigation into the private governance of the Inuit tribes of the polar north. Furthermore, I was able to write articles on a variety of topics while having access to an excellent library.

As for particular scholars, my undergraduate professors at Grove City College, Dr. Shawn Ritenour, Dr. Jeffrey Herbener, and Dr. Caleb Fuller, are supportive and have helped in thinking through various ideas. Dr. Fuller deserves special praise for introducing me to the law-and-economics literature. Furthermore, Dr. Peter Leeson's work has been an inspiration as well. He brilliantly extends the principles of economics into areas of life that are traditionally relegated to psychology, sociology, or anthropology.

You've written about a wide range of topics for the *Mises Wire*, including privatizing hostage extraction, labor unions, antitrust policies, Chinese land ownership in the United States, and legacy admissions to colleges. Is there a common thread in your writing?

The motivation is almost always the same: dismantle the justifications for the state. Austrian economics and libertarian political philosophy are indispensable tools for doing so. They help see through the ethical and economic lies perpetuated by those who seek power.

I intend to fill the holes in the case for liberty. For example, I wrote an article critiquing a local municipality's proposed ban on pet alligators. I used data and sound economic logic to make the best possible case against the ban. My hope is that articles like this are found by someone in the future who needs to argue against a similar ban. Whether it be defending legacy admissions or privatizing hostage extraction, somebody needs to call out the flaws of government intervention. If nobody else will do it, I am more than happy to pick up the slack.

You have a unique experience as a student having dabbled in politics: you were elected as a councilman in your hometown in Pennsylvania. What did you learn from that, especially regarding the prospects for liberty?

> The motivation is almost always the same: dismantle the justifications for the state. Austrian economics and libertarian political philosophy are indispensable tools for doing so.



Campaign poster used by Ben Seevers.

The path to liberty is local. Local governments in Pennsylvania have the capacity to abolish public police, slash property taxes, privatize trash collection, and eliminate onerous zoning regulations, among other policies. Even roads could be privatized, although that might get unwanted attention. Obtaining a simple majority on a government board is all that is needed. If that is done, a sizable dent could be made in government.

This is not easy, though, evident by the fact I accomplished little of what I set out to do. I was a popular candidate, but my ideas were not so popular with the other council members and the in-group that dominated each meeting. Having a group of dedicated liberty lovers to run as a group would lead to better results. That is something we are trying to build.

Furthermore, if one is successful in staging a political revolution, one is liable to step on the toes of party bosses and higher-level politicians. I have seen local activists removed from positions of party authority, and others have been bullied by the court system. All of this is good to keep in mind for local activism.

In the end, simply being present in local politics can put the coals underneath the feet of your local representative. Recording meetings and making sure the community knows what these criminals are up to can delay and prevent new laws from being passed. I have seen it work to some extent.

SCHOLARS AND STUDENTS ON THE GO

SCHOLARS

Dr. Mark Thornton was invited to give an upper-level law and economics class at Penn State Erie using his book *The Economics of Prohibition*. Professor David Dieteman has been using this book in his classroom for thirty years.

Mark Thornton was quoted at length in two publications:

"What's not to like about Calvin Coolidge, 'Silent Cal,' the anti-politician?" asked **Mark Thornton**, a senior fellow at the Mises Institute in Auburn. "He cut taxes, cut government spending on wasteful programs, reduced the national debt and didn't get us into wars or 'entangling alliances.' Most politicians from both parties hate him and the elites hate him and or ignore him. What more can you ask for in a politician" ("Coolidge Became President in 1923. Libertarians Say He's No. 1 POTUS," *The Observer*, October 11, 2023).

"Deficit spending by the U.S. government is in a runaway scenario," said **Mark Thornton**, a senior fellow at the classical liberal Mises Institute. "The amount of money that they're borrowing is at extremely elevated levels and there doesn't seem to be any regulation or even mild attempts to curb the spending side of the fiscal equation" ("America's Runaway Debt Scenario: \$1 Trillion in Interest Per Year, *Epoch Times*, November 21, 2023).

Tom DiLorenzo had two articles appear in the *New American*: "The Tariff of Abominations and the Era of Good Stealings" and "Can John C. Calhoun Save America?".

AUSTRIAN ECONOMICS DISCORD SERVER CONFERENCE 2024

The third annual virtual Austrian Economics Discord Server Conference, the brainchild of Mises Apprentice Joseph Rich, was held on January 6. The Mises Institute was well represented by Peter Klein, Per Bylund, Paul Cwik, Shawn Ritenour, Patrick Newman, and Tho Bishop.



POLLOCK IN THE WSJ

The silliness and misguided arguments that pass for respected thought on the Fed abounds no less in the pages of the *Wall Street Journal*. Senior Fellow **Alex Pollock** wrote an editorial to clear up the fog of misunderstanding and his response was published in the *WSJ* on January 3:

Mr. Cochrane writes that "the Fed can costlessly buy bonds and issue interest-paying money." To the contrary, by following exactly this formula, the Fed has so far accumulated net losses of about \$130 billion for itself, the Treasury and the taxpayers, and there are unavoidably tens of billions in losses still to come.

This "costless" formula meant the Fed took massive interestrate risk, investing very long and borrowing, very short thereby also imposing that risk on the Treasury and the taxpayers. For the Fed as for anybody else, taking interest-rate risk isn't costless. It has proved far more costly than the Fed ever expected.



MISES BOOK CLUBS

The Spring Mises Book Club begins online the first week of February with eleven undergraduates from seven different universities and colleges. Dr. Tate Fegley will guide the students as they discuss Austrian economist F.A. Hayek's classic work *The Road to Serfdom*.

By special request, the Mises Institute is also sponsoring a second book club on *The Road to Serfdom* for ten Oklahoma State University students. These students will meet in person weekly with OSU professor Richard Gajan to discuss individual freedom and the path to totalitarianism.

MISES APPRENTICESHIP 2024

The new class of Mises Apprentices begins in February. The inaugural group of Mises Apprentices featured five passionate young content creators. Their work was featured on social media channels, the *Mises Wire*, and republished on major financial news websites. In light of the first year's success, the Mises Apprentice program has accepted a much larger cohort of talented, young creators excited to improve their skills and deepen their knowledge of Austrian economics.

Another exciting new element is the addition of more international students. This year's cohort includes students from Asia, Europe, and South America, who can speak to the interests and concerns of their generation from around the world. As we see a surge of interest in the ideas of Ludwig von Mises, Murray N. Rothbard, Henry Hazlitt, and other great champions of freedom globally, the Mises Apprentice program looks forward to being part of this crucial battle of ideas.

We look forward to sharing their progress in future issues of The Misesian.

My husband Tetsuro Fujimaru and I founded the "Japan Institute for Libertarianism" in 2023. We have a researcher, Kenya Kura, an economist who has translated two of Professor Jesús Huerta de Soto's books into Japanese.

We are working to spread libertarianism and Austrian School economics in Japan. One of our activities is translating articles from foreign think tanks and introducing them to Japan. We have translated several articles from the Mises Institute's website and reprinted them on our blog.

We have received a lot of feedback in Japan. We also received a request from a major online media outlet to reprint our articles.

We would like to continue to expand the number of people in Japan who accurately understand and support libertarianism. To that end, we would appreciate your permission to reprint articles from the Mises Institute on our blog.

Thank you in advance.

Junko Fujimaru

I am a translator representing a translation team from Turkey. We wish to translate the book by David Gordon *The Essential Rothbard* into Turkish. I am writing to ask for permission to translate this book and publish a translated version from a local Turkish publisher. Interest in Rothbard is currently on the rise in Turkey and we desire this book to act as an accessible gateway to his great work.

We wish to get the translation done as soon as possible and continue with similar books.

Kind regards,

Emre Didin



THE JOURNAL OF PRICES AND MARKETS

Many thanks to David Howden for offering the full archive of the *Journal of Prices and Markets* to the Mises Institute.

The journal was published from 2014–19 by the Ludwig von Mises Institute of Canada and edited by David Howden. Its purpose was to improve the understanding of the role of markets in the



economy. While it was published the journal earned a reputation for good scholarship and interesting articles by many names familiar to our Austrian readers, including Ben O'Neill, David Howden, Peter Boettke, Jakub Bożydar Wiśniewski, John Brätland, Doug French, Walter Block, Philipp Bagus, Paul Cantor, Mark Thornton, Alasdair Macleod, Thorsten Polleit, Jason Jewell, Caleb Fuller, Shawn Ritenour, D.W. MacKenzie, and many others.

Available on mises.org in the coming months.

INTRODUCTION TO MICROECONOMICS

This lecture series by Murray Rothbard, given at New York Polytechnic University in 1986 and recorded by Hans-Hermann Hoppe, has been remastered and is now available on mises.org. "The Structure of Production" has received 47,684 views since it was posted. You can find it at mises.org/rothbardstructure.

STATS FOR 2023

Our media outreach was especially powerful in 2023.

Mises.org received **more than 9 million views** from over **3.2 million individual users**.

Our YouTube videos got **2,336,627 views**.

Human Action was downloaded **511,514 times**!

"The True Fossil Fuel Crisis," from our video series Fueling a Freer Future, had an astounding **386,898 views**.

VIDEOS FROM THE VAULT

Mises.org is a vast reservoir of new and old articles, journals, books, podcasts, lectures, videos, and much more. The casual reader is familiar with the *Mises Wire* and our current publications, but since mises.org is so much more, we thought the readers of *The Misesian* would enjoy a trip down the paths less taken on our website.

The Founding of the Federal Reserve, with Murray N. Rothbard, was presented at the Mises Institute's 1984 "Seminar on Money and Government," in Houston, Texas.

They couldn't just drive the thing through, so they needed a year of propaganda and agitation before they actually presented the Federal Reserve bill.

Enjoy it at mises.org/FoundingFed.



"Voting and Politics." In 1974, on a bus from Boston to New York, reporter Tom Pettit talks with voters about the upcoming elections. Murray Rothbard was one of the people on the bus. He responded to the broadcast in the *Libertarian Forum* in November 1974.

On the night before the election, and again on the *Today* show on election morn, I appeared on nationwide NBC-TV, denouncing politics and declaring that I never vote. Despite the fact that the interview was a pure fluke, taken while minding my own business on a New Haven bus, that it was severely edited and truncated on TV to fit the anti-politics theme of mass sentiment as picked up by the reporters, I was immediately besieged by phone calls from libertarians throughout the country.



Enjoy at mises.org/votingpolitics.



THE MISES INSTITUTE WELCOMES WANJIRU NJOYA

The Mises Institute is very pleased to announce that Dr. Wanjiru Njoya has joined the academic staff of the Institute as a Research Scholar.

Dr. Njoya was born in New Jersey but grew up in Kenya. After graduating from the University of Nairobi with a law degree, she won a Rhodes Scholarship and studied at St. Edmunds College, Cambridge University. Her doctoral research on the conceptual framework of the employment relationship was published as *Property in Work: The Employment Relationship in the Anglo-American Firm*.

She has taught law at St. John's College, Oxford, the London School of Economics, Queen's University in Canada, and, for the past 6.5 years, at the University of Exeter Law School, where she was a senior lecturer in law. She is also a fellow of the UK Higher Educational Academy. She has published widely in employment law and labor regulations, most recently in the King's Law Journal, the Journal of Law, Economics and Policy, and the Journal of Libertarian Studies.

Dr. Njoya is the author of *Economic Freedom* and Social Justice: The Classical Ideal of *Equality in Contexts of Racial Diversity*, which was published in the series Palgrave Studies in Classical Liberalism in 2021. In collaboration with Mises Institute Senior Fellow David Gordon, she also wrote another book for the same series, Redressing Historical Injustice: Self-Ownership, Property Rights and Economic Equality, which was published in 2023, and she is now writing another book in collaboration with him.

She delivered the Rothbard Memorial Lecture at the Austrian Economics Research Conference

in March 2023. She is a dynamic, scholarly, and intense speaker, passionately opposed to the "woke" orthodoxy that dominates academia today. She has been a guest on *The Tom Woods Show* and can be seen on a number of YouTube videos. She has 25,300 followers on Twitter, where her courageous posts in defense of freedom stand out for their clarity and moral force.

At the Mises Institute, she will be in residence full time. She will do research, be available to teach and counsel students, speak at our conferences, and do interviews and podcasts. The Institute is fortunate that a scholar of her abilities and commitment to Rothbardian principles is joining us.

Listen to her Rothbard Memorial Lecture at mises.org/2023Rothbardmem.





The Mises Institute 518 W. Magnolia Ave. Auburn, AL 36832-4501

I want to be a Patron in the 75th Anniversary edition of *Human Action*.

All donors of \$1,000 or more will be listed as a Patron in the book.

Enclosed is my tax-deductible contribution of 🗆 \$60 🗆 \$100 🗆 \$200 🗆 \$500 🗖 \$1,000 🗖 Other _

□ In Memory of/Honor of		$_\Box$ I wish to remain anonymous.	DONATE ONLINE!
🗆 Card #	Exp. Date	Security Code	mises.org/action75! OR MAIL YOUR
			CHECK TO
mosterord 0 (MIRAMINAU)			Mises Institute 518 W. Magnolia Ave.
Name			Auburn, AL 36832
Address			
CityS	tate Zip	Country	LES L
Email			

518 West Magnolia Ave., Auburn, AL 36832 | Phone 334-321-2100 | 800-OF-MISES | contact@mises.org | mises.org The Mises Institute is a nonprofit organization. Contributions are tax-deductible to the full extent of the law.